

NEW APPLICATION
ORIGINAL



BEFORE THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

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COMMISSIONER

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T-03943A-05-0724

In the Matter of the Application of Time
Warner Telecom of Arizona LLC for
Approval of Certain Transactions

Docket No. T-03943A-

APPLICATION AND REQUEST
FOR EXPEDITED APPROVAL

I. INTRODUCTION

Time Warner Telecom of Arizona LLC ("TWTA" and "Applicant"), through this Application, seeks the approval, to the extent required by Arizona Corporation Commission ("Commission") statutes and regulations, of the guarantee of certain obligations undertaken by its affiliated entity, Time Warner Telecom Holdings, Inc. ("TWT Holdings") and the encumbrance of its assets. For the reasons set forth in this Application, TWTA submits that approval of this Application is in the public interest. Furthermore, TWTA respectfully requests expedited approval of this Application so that the transactions at issue may be consummated.

II. APPLICATION

The following information is submitted in support of this Application:

1 **A. Applicant**

2 TWTa is a limited liability company duly organized and existing under the
3 laws of Delaware. TWT Holdings is a corporation duly organized and existing under the
4 laws of Delaware. TWT Holdings is a direct, wholly-owned subsidiary of Time Warner
5 Telecom, Inc., and TWTa is a subsidiary of TWT Holdings. TWTa is certificated by the
6 Commission to provide competitive intrastate telecommunications services pursuant to
7 Decision No. 63262.

8 **B. Designated Contacts**

9 Communications regarding this matter should be addressed to the
10 following:

11 Thomas H. Campbell
12 Michael T. Hallam
13 LEWIS AND ROCA, LLP
14 40 North Central Avenue
15 Phoenix, AZ 85004
16 (602) 262-5723

17 AND

18 Brian T. FitzGerald
19 LeBOEUF, LAMB, GREENE &
20 MacRAE, L.L.P.
21 99 Washington Avenue, Suite 2020
22 Albany, New York 12210-2820
23 Tel: (518) 626-9000
24 Fax: (518) 626-9010

25 **C. The Proposed Transaction and Prior Commission Approvals**

26 In July 2004, the Commission approved a guarantee by TWTa and the
encumbrance of TWTa's assets in relation to the following transactions: the issuance by
TWT Holdings of \$200 million of fixed-rate Senior Notes due in 2014 ("2014 Notes");
the issuance by TWT Holdings of \$240 of Second Priority Senior Secured Floating Rate
notes due in 2011 ("2011 Notes"); and a \$150 million senior secured revolving credit
facility. See Decision No. 67108. In May 2005, the Commission approved a guarantee by

1 TWTa related to the issuance by TWT Holdings of up to \$400 million in Senior Notes
2 due in 2014.¹ See Decision No. 67815. As evidenced by these Decisions, the Commission
3 has approved guarantees/encumbrances totaling approximately \$990 million and has found
4 these approvals to be in the public interest. At the current time, TWT Holdings has not
5 drawn on the credit facility, and although the Commission approved an issuance of up to
6 \$400 million in Decision No. 67815, the actual issuance was only \$200 million.
7 Accordingly, the approval sought in this Application is within the aggregate amount
8 approved by the Commission pursuant to Decision Nos. 67815 and 67108.

9 The transaction that is the subject of this Application involves a
10 \$200,000,000 term loan and the reduction of the revolving credit facility from \$150
11 million to \$110 million. As with the prior credit facility, the loan will be guaranteed by
12 TWTa and will be secured by a pledge of TWTa's stock, interests, and assets. The
13 guarantee and pledge of assets will arise from the same 2004 Security Agreement that was
14 the subject of approvals granted in Decision No. 67108. The term of the loan is five years;
15 provided that the term will be extended for two years if the 2011 Notes and the 2014 Notes
16 are refinanced prior to the termination of the expiration of this five-year term. These
17 transactions are expected to close on or about November 3, 2005,² and TWT Holdings
18 intends to use the proceeds to redeem \$200 million of its 9.25% Senior Notes due in 2008.
19 As a result, the financing will allow TWT Holdings to extend maturities on this debt by
20 more than five years and to improve its cash flow through interest savings.

21 **D. Approval Is In the Public Interest**

22 TWTa seeks approval of the guarantee and pledge of assets detailed above
23 pursuant to A.A.C. R14-2-804 and A.R.S. § 40-285. The approval of this guarantee will
24

25 ¹ The actual issuance totaled \$200 million. Proceeds from that issuance were used to
redeem Notes due in 2008.

26 ² The guarantee by TWTa and encumbrance of the Arizona assets as security for the new
\$200 million term loan will not become effective until approved by the Commission.

1 not impair the financial status of TWTA, otherwise prevent TWTA from attracting capital
2 at fair and reasonable terms, or impair the ability of TWTA to provide safe, reasonable,
3 and adequate service. Rather, approval of this Application and these transactions is in the
4 public interest as it will enable TWT Holdings to obtain additional financing and working
5 capital which will help TWTA continue to offer competitive services in Arizona. As
6 stated above, this transaction will extend maturities on TWT Holdings' existing debt and
7 provide for a savings in interest expenses, which will serve to put TWT Holdings and
8 TWTA in a better financial position.

9 The requested authority will strengthen TWTA's ability to compete in the
10 local exchange service market in Arizona by providing access to greater financial
11 resources. These resources and the flexibility that this financing will provide will allow
12 TWTA to respond to competitive pressures in the evolving telecommunications market
13 and to continue to provide consumers with full facilities-based competitive choice.

14 Thus, Commission approval of this Application will bolster the
15 Commission's long-standing goal of fostering full facilities-based competition in the
16 telecommunications market and is in the public interest.

17 **III. CONCLUSION**

18 For the foregoing reasons, Applicant respectfully submits that Commission
19 approval of this Application is in the public interest and should be granted. Furthermore,
20 TWTA respectfully requests that the Commission grant this approval on an expedited
21 basis.

1 RESPECTFULLY SUBMITTED this 18th day October , 2005.

2 LEWIS AND ROCA

3 

4 Thomas H. Campbell
5 Michael T. Hallam
6 40 N. Central Avenue
7 Phoenix, Arizona 85004

8 Attorneys for Time Warner Telecom of Arizona,
9 LLC

10 ORIGINAL AND thirteen (13) copies
11 of the foregoing hand-delivered
12 this 18th day of October, 2005, to:

13 Arizona Corporation Commission
14 Utilities Division – Docket Control
15 1200 W. Washington Street
16 Phoenix, Arizona 85007

17 COPY of the foregoing hand-delivered
18 this 18th day of October, 2005,
19 to:

20 Lyn Farmer, Chief Administrative Law Judge
21 Hearing Division
22 Arizona Corporation Commission
23 1200 West Washington
24 Phoenix, Arizona 85007

25 Christopher Kempley, Esq.
26 Chief Counsel, Legal Division
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